



Senate

General Assembly

File No. 572

February Session, 2018

Substitute Senate Bill No. 263

Senate, April 18, 2018

The Committee on Finance, Revenue and Bonding reported through SEN. FONFARA of the 1st Dist. and SEN. FRANTZ, L. of the 36th Dist., Chairpersons of the Committee on the part of the Senate, that the substitute bill ought to pass.

AN ACT ELIMINATING CERTAIN UNCLAIMED AND SELDOM CLAIMED TAX CREDITS.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Subdivision (3) of subsection (n) of section 12-217u of the
2 general statutes is repealed and the following is substituted in lieu
3 thereof (*Effective July 1, 2018*):

4 (3) For purposes of determining the number and specification of
5 qualified employees under subsection (d) of this section [, and the
6 number and specification of new employees under section 12-217e,]
7 with respect to any taxpayer which has received financial assistance
8 under section 32-236, the dates, numbers and specifications shall be the
9 dates, numbers and specifications provided in an agreement executed
10 by the Commissioner of Economic and Community Development with
11 such financial institution to provide financial assistance pursuant to
12 section 32-236. In no event shall the definition of qualified employee be
13 more favorable to the employer than the definition provided in this

14 section.

15 Sec. 2. Section 32-9o of the general statutes is repealed and the
16 following is substituted in lieu thereof (*Effective July 1, 2018*):

17 It is hereby found and declared as a matter of legislative
18 determination that: [(a)] (1) There is a serious need for the investment
19 of private capital in business enterprises located in municipalities
20 experiencing conditions of high unemployment, poverty, aging
21 housing stock and low or declining rates of growth in job creation,
22 population and per capita income; [(b)] (2) high property tax rates and
23 the unavailability or high cost of credit to business organizations have
24 discouraged industrial activity in such municipalities and perpetuated
25 prevailing patterns of economic and social stress; [(c)] (3) private
26 capital investment in the construction, renovation and expansion of
27 manufacturing and other industrial facilities will best contribute to
28 increasing employment and an expanding tax base in such
29 municipalities and the development of a more productive and
30 balanced economy in the state; and [(d)] (4) the tax, grant and other
31 financial incentives provided by subdivisions (59) and (60) of section
32 12-81 and sections [12-217e,] 32-9p to 32-9s, inclusive, as amended by
33 this act, and 32-23p to encourage such private investment are
34 important and necessary applications of the resources of the state in
35 the exercise of its responsibility to preserve and foster the health,
36 safety and general welfare of the state and its people. Accordingly the
37 necessity, in the public interest and for the public benefit and good, of
38 the provisions under said sections is hereby declared as a matter of
39 legislative determination.

40 Sec. 3. Section 32-9p of the general statutes is repealed and the
41 following is substituted in lieu thereof (*Effective July 1, 2018*):

42 As used in subdivisions (59) and (60) of section 12-81 and sections
43 [12-217e,] 32-9p to 32-9s, inclusive, as amended by this act, and 32-23p,
44 the following words and terms have the following meanings:

45 (a) "Area of high unemployment" means, as of the date of any final

46 and official determination by the authority or the department to
47 extend assistance under said sections, any municipality which is a
48 distressed municipality as defined in subsection (b) of this section, and
49 any other municipality in the state which in the calendar year
50 preceding such determination had a rate of unemployment which
51 exceeded one hundred ten per cent of the average rate of
52 unemployment in the state for the same calendar year, as determined
53 by the Labor Department, provided no such other municipality with
54 an unemployment rate of less than six per cent shall be an area of high
55 unemployment.

56 (b) "Distressed municipality" means, as of the date of the issuance of
57 an eligibility certificate, any municipality in the state which, according
58 to the United States Department of Housing and Urban Development
59 meets the necessary number of quantitative physical and economic
60 distress thresholds which are then applicable for eligibility for the
61 urban development action grant program under the Housing and
62 Community Development Act of 1977, as amended, or any town
63 within which is located an unconsolidated city or borough which
64 meets such distress thresholds. Any municipality which, at any time
65 subsequent to July 1, 1978, has met such thresholds but which at any
66 time thereafter fails to meet such thresholds, according to said
67 department, shall be deemed to be a distressed municipality for a
68 period of five years subsequent to the date of the determination that
69 such municipality fails to meet such thresholds, unless such
70 municipality elects to terminate its designation as a distressed
71 municipality, by vote of its legislative body, not later than September
72 1, 1985, or not later than three months after receiving notification from
73 the commissioner that it no longer meets such thresholds, whichever is
74 later. In the event a distressed municipality elects to terminate its
75 designation, the municipality shall notify the commissioner and the
76 Secretary of the Office of Policy and Management in writing within
77 thirty days. In the event that the commissioner determines that
78 amendatory federal legislation or administrative regulation has
79 materially changed the distress thresholds thereby established,
80 "distressed municipality" means any municipality in the state which

81 meets comparable thresholds of distress which are then applicable in
82 the areas of high unemployment and poverty, aging housing stock and
83 low or declining rates of growth in job creation, population and per
84 capita income as established by the commissioner, consistent with the
85 purposes of subdivisions (59) and (60) of section 12-81 and sections
86 [12-217e,] 32-9p to 32-9s, inclusive, as amended by this act, and 32-23p,
87 in regulations adopted in accordance with chapter 54. For purposes of
88 sections 32-9p to 32-9s, inclusive, as amended by this act, "distressed
89 municipality" also means any municipality adversely impacted by a
90 major plant closing, relocation or layoff, provided the eligibility of a
91 municipality shall not exceed two years from the date of such closing,
92 relocation or layoff. The Commissioner of Economic and Community
93 Development shall adopt regulations, in accordance with the
94 provisions of chapter 54, which define what constitutes a "major plant
95 closing, relocation or layoff" for purposes of sections 32-9p to 32-9s,
96 inclusive, as amended by this act. "Distressed municipality" also means
97 the portion of any municipality which is eligible for designation as an
98 enterprise zone pursuant to subdivision (2) of subsection (b) of section
99 32-70.

100 (c) "Eligibility certificate" means a certificate issued by the
101 department pursuant to section 32-9r, as amended by this act,
102 evidencing its determination that a facility for which an application for
103 assistance has been submitted qualifies as a manufacturing facility and
104 is eligible for assistance under [section 12-217e and] subdivisions (59)
105 and (60) of section 12-81.

106 (d) "Manufacturing facility" means any plant, building, other real
107 property improvement, or part thereof, (1) which (A) is constructed or
108 substantially renovated or expanded on or after July 1, 1978, in a
109 distressed municipality, a targeted investment community as defined
110 in section 32-222, an enterprise zone designated pursuant to section 32-
111 70 or an airport development zone established pursuant to section 32-
112 75d, or (B) is acquired on or after July 1, 1978, in a distressed
113 municipality, a targeted investment community as defined in section
114 32-222, an enterprise zone designated pursuant to said section 32-70 or

115 an airport development zone established pursuant to section 32-75d,
116 by a business organization which is unrelated to and unaffiliated with
117 the seller, after having been idle for at least one year prior to its
118 acquisition and regardless of its previous use; (2) which is to be used
119 for the manufacturing, processing or assembling of raw materials,
120 parts or manufactured products, for research and development
121 facilities directly related to manufacturing, for the significant servicing,
122 overhauling or rebuilding of machinery and equipment for industrial
123 use, or, except as provided in this subsection, for warehousing and
124 distribution or, (A) if located in an enterprise zone designated
125 pursuant to said section 32-70, which is to be used by an establishment,
126 an auxiliary or an operating unit of an establishment, which is an
127 economic base business as defined in subsection (d) of section 32-222
128 or has a North American Industrial Classification code of 114111
129 through 114210, 311111 through 339999, 482111 through 484230,
130 488310, 488320, 488991, 493120, 493130, 493190, 511210, 512110, 512120,
131 512191, 522210, 522293, 522294, 522298, 522310, 522320, 522390, 523110,
132 523120, 523130, 523140, 523210, 523910, 524113, 524114, 524126, 524127,
133 524128, 524130, 524292, 541711, 541712, 551111, 551112, 551114, 561422,
134 611310, 611410, 611420, 611430, 611513, 611519, 611710 or 624410 or
135 any business that is part of an economic cluster, as defined in
136 subsection (e) of section 32-222, or any establishment or auxiliary or
137 operating unit thereof, as defined in the North American Industrial
138 Classification System Manual, or (B) if located in an enterprise zone
139 designated pursuant to said section 32-70, which is to be used by an
140 establishment primarily engaged in supplying goods or services in the
141 fields of computer hardware or software, computer networking,
142 telecommunications or communications, or (C) if located in a
143 municipality with an entertainment district designated under section
144 32-76 or established under section 2 of public act 93-311, is to be used
145 in the production of entertainment products, including multimedia
146 products, or as part of the airing, display or provision of live
147 entertainment for stage or broadcast, including support services such
148 as set manufacturers, scenery makers, sound and video equipment
149 providers and manufacturers, stage and screen writers, providers of

150 capital for the entertainment industry and agents for talent, writers,
151 producers and music properties and technological infrastructure
152 support including, but not limited to, fiber optics, necessary to support
153 multimedia and other entertainment formats, except entertainment
154 provided by or shown at a gambling or gaming facility or a facility
155 whose primary business is the sale or serving of alcoholic beverages, or
156 (D) if located in an airport development zone established pursuant to
157 section 32-75d, (i) which, for the Bradley Airport development zone, is
158 to be used for the warehousing or motor freight distribution of goods
159 transported by aircraft to or from an airport located in such zone, or
160 (ii) in the opinion of the Commissioner of Economic and Community
161 Development, may be dependent upon or directly related to such
162 airport and which, except as provided in this subparagraph, is to be
163 used for any other business service, excluding any service provided by
164 an organization that has a North American Industrial Classification
165 code of 237130, 441110 to 454390, inclusive, 532111, 532112 or 812930;
166 and (3) for which the department has issued an eligibility certificate in
167 accordance with section 32-9r, as amended by this act. In the case of
168 facilities which are acquired, the department may waive the
169 requirement of one year of idleness if it determines that, absent
170 qualification as a manufacturing facility under subdivisions (59) and
171 (60) of section 12-81, and sections [12-217e,] 32-9p to 32-9s, inclusive, as
172 amended by this act, and 32-23p, there is a high likelihood that the
173 facility will remain idle for one year. In the case of facilities located in
174 an enterprise zone designated pursuant to said section 32-70, (A) the
175 idleness requirement in subparagraph (B) of subdivision (1) of this
176 subsection, for business organizations which over the six months
177 preceding such acquisition have had an average total employment of
178 between six and nineteen employees, inclusive, shall be reduced to a
179 minimum of six months, and (B) the idleness requirement shall not
180 apply to business organizations with an average total employment of
181 five or fewer employees, provided no more than one eligibility
182 certificate shall be issued under this subparagraph for the same facility
183 within a three-year period. Of those facilities which are for
184 warehousing and distribution, only those which are newly constructed

185 or which represent an expansion of an existing facility qualify as
186 manufacturing facilities. In the event that only a portion of a plant is
187 acquired, constructed, renovated or expanded, only the portion
188 acquired, constructed, renovated or expanded constitutes the
189 manufacturing facility. A manufacturing facility which is leased may
190 for the purposes of subdivisions (59) and (60) of section 12-81 and
191 sections [12-217e,] 32-9p to 32-9s, inclusive, as amended by this act,
192 and 32-23p, be treated in the same manner as a facility which is
193 acquired if the provisions of the lease serve to further the purposes of
194 subdivisions (59) and (60) of section 12-81 and sections [12-217e,] 32-9p
195 to 32-9s, inclusive, as amended by this act, and 32-23p and
196 demonstrate a substantial, long-term commitment by the occupant to
197 use the manufacturing facility, including a contract for lease for an
198 initial minimum term of five years with provisions for the extension of
199 the lease at the request of the lessee for an aggregate term which shall
200 not be less than ten years, or the right of the lessee to purchase the
201 facility at any time after the initial five-year term, or both. For a facility
202 located in an enterprise zone designated pursuant to said section 32-70,
203 and occupied by a business organization with an average total
204 employment of ten or fewer employees over the six-month period
205 preceding acquisition, such contract for lease may be for an initial
206 minimum term of three years with provisions for the extension of the
207 lease at the request of the lessee for an aggregate term which shall not
208 be less than six years, or the right of the lessee to purchase the facility
209 at any time after the initial three-year term, or both, and may also
210 include the right for the lessee to relocate to other space within the
211 same enterprise zone, provided such space is under the same
212 ownership or control as the originally leased space or if such space is
213 not under such same ownership or control as the originally leased
214 space, permission to relocate is granted by the lessor of such originally
215 leased space, and such relocation shall not extend the duration of
216 benefits granted under the original eligibility certificate. Except as
217 provided in subparagraph (B) of subdivision (1) of this subsection, a
218 manufacturing facility does not include any plant, building, other real
219 property improvement or part thereof used or usable for such

220 purposes which existed before July 1, 1978.

221 (e) "Service facility" means a manufacturing facility described in
222 subparagraph (A) or (B) of subdivision (2) of subsection (d) of this
223 section, provided such facility is located outside of an enterprise zone
224 in a targeted investment community.

225 (f) "Capital reserve fund bond", "commissioner", "department",
226 "industrial project" and "insurance fund" have the meanings provided
227 in section 32-23d.

228 (g) "Municipality" means any town, city or borough in the state.

229 Sec. 4. Section 32-9r of the general statutes is repealed and the
230 following is substituted in lieu thereof (*Effective July 1, 2018*):

231 (a) Any person may apply to the department for a determination as
232 to whether the facility described in an application qualifies as a
233 manufacturing facility or service facility. Applications for eligibility
234 certificates are to be made on the forms and in the manner prescribed
235 by the department. In evaluating each application the department may
236 require the submission of all books, records, documents, drawings,
237 specifications, certifications and other evidentiary items which it
238 deems appropriate. No eligibility certificate shall be issued after March
239 1, 1991, for a manufacturing facility located in a distressed
240 municipality which does not qualify as a targeted investment
241 community unless the department has issued to the applicant a
242 commitment letter for such facility prior to March 1, 1991.
243 Notwithstanding the provisions of this subsection, an eligibility
244 certificate may be issued by the department after March 1, 1991, for a
245 qualified manufacturing facility acquired, constructed or substantially
246 renovated in a distressed municipality provided the commissioner
247 determines that such acquisition, construction or substantial
248 renovation was initiated prior to March 1, 1991, and was legitimately
249 induced by the prospect of assistance under section 12-217e, revision of
250 1958, revised to January 1, 1991, and subdivisions (59) and (60) of
251 section 12-81, respectively. The department may issue an eligibility

252 certificate for a qualified manufacturing facility or a qualified service
253 facility located in a targeted investment community upon
254 determination by the commissioner (A) that the acquisition,
255 construction or substantial renovation relating to the qualified
256 manufacturing facility or qualified service facility in such community
257 was induced by the prospect of assistance under [section 12-217e and]
258 subdivisions (59) and (60) of section 12-81; and (B) the applicant
259 demonstrates an economic need or there is an economic benefit to the
260 state. The department shall issue an eligibility certificate for a qualified
261 manufacturing facility located in an airport development zone
262 established pursuant to section 32-75d, and may issue an eligibility
263 certificate for a facility described in subparagraph (D) of subdivision
264 (2) of subsection (d) of section 32-9p, as amended by this act, upon
265 determination by the department (i) that the acquisition, construction
266 or substantial renovation relating to the qualified manufacturing
267 facility or facility described in said subparagraph (D) in the airport
268 development zone was induced by the prospect of assistance under
269 [section 12-217e and] subdivisions (59) and (60) of section 12-81; (ii) the
270 applicant demonstrates an economic need and there is an economic
271 benefit to the state without causing an economic detriment to or
272 conflict with an existing zone; and (iii) that the applicant serves an
273 airport-related function or relies substantially on airport services. The
274 department shall issue an eligibility certificate if the commissioner
275 determines (1) that the manufacturing facility is located in an
276 enterprise zone designated pursuant to section 32-70 and is a qualified
277 manufacturing facility, or (2) that the facility is a plant, building, other
278 real property improvement, or part thereof, which is located in a
279 municipality with an entertainment district designated under section
280 32-76 or established under section 2 of public act 93-311, and which
281 qualifies as a "manufacturing facility" under subsection (d) of section
282 32-9p, as amended by this act, in that it is to be used in the production
283 of entertainment products, including multimedia products, or as part
284 of the airing, display or provision of live entertainment for stage or
285 broadcast, including support services such as set manufacturers,
286 scenery makers, sound and video equipment providers and

287 manufacturers, stage and screen writers, providers of capital for the
288 entertainment industry and agents for talent, writers, producers and
289 music properties and technological infrastructure support including,
290 but not limited to, fiber optics, necessary to support multimedia and
291 other entertainment formats, except entertainment provided by or
292 shown at a gambling or gaming facility or a facility whose primary
293 business is the sale or serving of alcoholic beverages.

294 (b) The department shall reach a determination as to the eligibility
295 of a facility within a reasonable time period, but may postpone the
296 determination to the extent required to verify to its satisfaction that
297 there is a high likelihood that any proposed facility will actually be
298 constructed, expanded, substantially renovated or acquired. Upon a
299 favorable finding, the department shall issue to the applicant a
300 certificate to the effect that the facility concerned is a manufacturing
301 facility or a service facility and is eligible for assistance under [section
302 12-217e and] subdivisions (59) and (60) of section 12-81.

303 (c) Except as specified in subsection (d) of this section, upon an
304 unfavorable determination the department shall issue a notice to the
305 applicant to the effect that the facility concerned has been determined
306 not to be a manufacturing facility or a service facility, together with a
307 statement in reasonable detail as to the reasons for the unfavorable
308 determination. Any aggrieved applicant shall be afforded an
309 opportunity for a public hearing on the matter within thirty days
310 following issuance of the notice. The department shall reconsider the
311 application based upon the information presented at the public
312 hearing and reaffirm or change its earlier determination within ten
313 days of the hearing.

314 (d) Upon an unfavorable determination regarding an application
315 concerning an airport development zone, the department shall issue a
316 notice to the applicant to the effect that the facility concerned has been
317 determined not to be a manufacturing facility or a service facility,
318 together with a statement in reasonable detail as to the reasons for the
319 unfavorable determination. Any aggrieved applicant shall be afforded

320 an opportunity for a public hearing on the matter within thirty days
321 following issuance of the notice. The department shall reconsider the
322 application based upon the information presented at the public
323 hearing and reaffirm or change its earlier determination within ten
324 days of the hearing.

325 (e) The decision of the department rendered pursuant to subsection
326 (c) or (d) of this section to issue an eligibility certificate or to deny an
327 application for the issuance of an eligibility certificate either upon the
328 expiration of thirty days without a public hearing following an initial
329 unfavorable determination or upon any reconsideration of the
330 application pursuant to subsection (c) or (d) of this section is
331 conclusive and final as to the matters thereby decided, and chapter 54
332 shall not apply to the administrative determinations authorized to be
333 made by this section.

334 (f) Any person who claims a benefit under [section 12-217e or]
335 subdivisions (59) and (60) of section 12-81 shall notify the department
336 of any change in fact or circumstance which may bear upon the
337 continued qualification as a manufacturing facility or a service facility
338 for which an eligibility certificate has been issued. Upon receipt of such
339 information or upon independent investigation, the department may
340 revoke the eligibility certificate in the manner provided in subsection
341 (c) of this section.

342 (g) The commissioner shall adopt regulations, in accordance with
343 chapter 54, to carry out the provisions of this section. Such regulations
344 shall provide that establishments in the category of business support
345 services, as defined in subsection (b) of section 32-222, or
346 manufacturing facilities, as defined in subsection (d) of section 32-9p,
347 as amended by this act, may be eligible for a certificate if they are
348 located in an enterprise zone.

349 Sec. 5. Subsection (o) of section 32-9t of the general statutes is
350 repealed and the following is substituted in lieu thereof (*Effective July*
351 *1, 2018, and applicable to income years commencing on or after January 1,*
352 *2018*):

353 (o) No taxpayer shall be eligible for a credit under (1) this section,
354 and (2) section [12-217e or] 38a-88a, as amended by this act, for the
355 same investment. No two taxpayers shall be eligible for any tax credit
356 with respect to the same investment or the same project costs.

357 Sec. 6. Subsection (e) of section 32-56 of the general statutes is
358 repealed and the following is substituted in lieu thereof (*Effective July*
359 *1, 2018*):

360 (e) Any business facility located in a municipality declared by the
361 commissioner to be severely impacted by a prime defense contract
362 cutback or major aerospace or defense plant closure pursuant to
363 subsection (c) of this section, which facility would be a manufacturing
364 facility, as defined in subsection (d) of section 32-9p, as amended by
365 this act, but for the fact that the facility is not in a distressed
366 municipality, as defined in subsection (b) of section 32-9p, as amended
367 by this act, will be deemed a manufacturing facility for the purposes of
368 sections 32-9p to 32-9s, inclusive, as amended by this act, [section 12-
369 217e,] and subdivisions (59) and (60) of section 12-81, if the purpose of
370 the construction, expansion, renovation or acquisition of such facility is
371 not dependent on prime defense contracts or related subcontracts. The
372 provisions of this section shall apply to a business facility located in a
373 building that was vacant (1) on July 1, 1998, and was formerly used for
374 defense manufacturing, or (2) on or after June 21, 2011, and was
375 formerly a major aerospace or defense plant with not less than eight
376 hundred employees.

377 Sec. 7. Subsection (h) of section 38a-88a of the 2018 supplement to
378 the general statutes is repealed and the following is substituted in lieu
379 thereof (*Effective July 1, 2018, and applicable to income years commencing*
380 *on or after January 1, 2018*):

381 (h) No taxpayer shall be eligible for a credit under this section and
382 [either section 12-217e or] section 12-217m for the same investment. No
383 two taxpayers shall be eligible for any tax credit with respect to the
384 same investment, employee or facility.

385 Sec. 8. Sections 12-217e and 12-217v of the general statutes are
 386 repealed. (*Effective July 1, 2018*)

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>July 1, 2018</i>	12-217u(n)(3)
Sec. 2	<i>July 1, 2018</i>	32-9o
Sec. 3	<i>July 1, 2018</i>	32-9p
Sec. 4	<i>July 1, 2018</i>	32-9r
Sec. 5	<i>July 1, 2018, and applicable to income years commencing on or after January 1, 2018</i>	32-9t(o)
Sec. 6	<i>July 1, 2018</i>	32-56(e)
Sec. 7	<i>July 1, 2018, and applicable to income years commencing on or after January 1, 2018</i>	38a-88a(h)
Sec. 8	<i>July 1, 2018</i>	Repealer section

Statement of Legislative Commissioners:

In Sec. 3(d)(3) and Sec. 5(o), "as amended by this act" was inserted to conform to standard drafting conventions.

CE *Joint Favorable Subst.-LCO C/R*

FIN

FIN *Joint Favorable*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 19 \$	FY 20 \$
Department of Revenue Services	GF - Revenue Gain	1.8 million	2 million

Note: GF=General Fund

Municipal Impact: None

Explanation

The bill, which eliminates two Corporation Business Tax credit programs, results in a revenue gain of \$1.8 million in FY 19 and \$2 million in FY 20 and annually thereafter.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future.

Sources: Department of Revenue Services Annual Reports

OLR Bill Analysis**sSB 263*****AN ACT ELIMINATING CERTAIN UNCLAIMED AND SELDOM CLAIMED TAX CREDITS.*****SUMMARY**

This bill eliminates the corporation business tax credit programs for (1) establishing new businesses in the state's 18 enterprise zones and (2) developing or acquiring facilities for specified uses in these zones and other designated areas (see BACKGROUND). It also makes several technical and conforming changes.

EFFECTIVE DATE: July 1, 2018, except the conforming changes to the statutes prohibiting taxpayers from claiming tax credits under multiple programs take effect on that date and apply to income years beginning on or after January 1, 2018.

ELIMINATED TAX CREDIT PROGRAMS***Creating Corporations in Enterprise Zones (CGS § 12-217v)***

The bill eliminates the program providing a 10-year corporation business tax credit for creating a business in an enterprise zone and meeting specified employment goals. The credit is for 100% of the business's tax liability for the first three years and 50% for the next seven.

The employment goals businesses must meet to claim the credit vary depending on whether a business is a bioscience business. Bioscience businesses must employ at least 75 employees who reside in the enterprise zone or its host municipality and qualify for federal training assistance. But if the business has at least 188 employees, then at least 40% of them must meet the same criteria.

Other businesses may similarly claim the credit if they employ at

least 150 people who reside in the enterprise zone or its host municipality and qualify for federal job training assistance. If they employ at least 375 people, then at least 40% of them must meet these criteria.

Developing or Acquiring Facilities in Enterprise Zones and other Designated Areas (CGS § 12-217e)

The bill eliminates the corporation business tax credit program for developing or acquiring facilities in designated areas. The program has two components, each geared toward certain types of facilities located in different designated areas.

The bill eliminates the first component that provides a flat 10-year credit, in an amount that varies as follows:

1. for manufacturers and certain entertainment businesses that acquire or improve facilities in a distressed municipality, targeted investment community (i.e., a municipality with an enterprise zone), or enterprise or airport development zone, a 25% credit;
2. for businesses in airport development zones that are dependent upon or related to airport operations, a 25% credit; and
3. for manufacturers and specified business service, information technology, and entertainment businesses that acquire or improve property in an enterprise zone, a 50% credit if they (a) hire at least 150 people who reside in the zone or the host municipality and qualify for federal job training assistance or (b) fill at least 30% of the jobs with people who qualify for such assistance.

The bill also eliminates the program's second component that provides a 10-year sliding scale credit to service firms that acquire or develop property outside of an enterprise zone in a targeted investment community. The credit amount is based on the number of jobs they create and ranges from 15% for creating between 300 and 500

jobs to 50% for creating 2,000 or more jobs.

BACKGROUND

Designated Areas

The bill eliminates two tax credit programs geared toward businesses in targeted investment communities and distressed municipalities, which Table 1 identifies. By law, a municipality with an enterprise zone is designated a targeted investment community (CGS § 32-222 (u)).

Table 1: Targeted Investment Communities and Distressed Municipalities

<i>Targeted Investment Communities</i>		<i>Distressed Municipalities</i>	
Bridgeport	New Haven	Ansonia	Naugatuck
Bristol	New London	Bridgeport	New Britain
East Hartford	Norwalk	Bristol	New Haven
Groton	Norwich	Chaplin	New London
Hamden	Southington	Derby	Norwich
Hartford	Stamford	East Hartford	Plymouth
Meriden	Thomaston	East Haven	Putnam
Middletown	Waterbury	Enfield	Sprague
New Britain	Windham	Griswold	Torrington
		Hartford	Waterbury
		Killingly	West Haven
		Meriden	Windham
		Montville	

The municipalities with entertainment districts are Bridgeport, New Britain, Stamford, and Windham.

The municipalities that have or are part of an airport development zone are: East Granby, Suffield, Windsor, and Windsor Locks (i.e., Bradley Airport Development Zone); Groton and New London (i.e., Groton-New London Airport Development Zone); and Waterbury and Oxford (i.e., Waterbury-Oxford Development Zone).

COMMITTEE ACTION

Commerce Committee

Joint Favorable Change of Reference - FIN

Yea 20 Nay 0 (03/22/2018)

Finance, Revenue and Bonding Committee

Joint Favorable

Yea 51 Nay 0 (04/05/2018)